

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7125**

**BILL NUMBER: HB 1975**

**DATE PREPARED:** Jan 23, 1999

**BILL AMENDED:**

**SUBJECT:** Income tax exemption.

**FISCAL ANALYST:** Diane Powers

**PHONE NUMBER:** 232-9853

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(44,600,000)	(106,200,000)
State Expenditures			
Net Increase (Decrease)		(44,600,000)	(106,200,000)

**Summary of Legislation:** This bill exempts an individual (or the individual and the individual's spouse, in the case of a joint return) from the adjusted gross income tax if the taxpayer's federal adjusted gross income does not exceed \$10,000.

**Effective Date:** January 1, 2000.

**Explanation of State Expenditures:** The Department of Revenue (DOR) will have additional administrative expenses to change tax forms, instructions and computer programs associated with this new exemptions. These expenses will come from their existing budget.

**Explanation of State Revenues:** This bill exempts a taxpayer from the adjusted gross income tax if the taxpayer's federal adjusted gross income does not exceed \$10,000. Based on the DOR's 1996 Individual Income Tax Statistics there were 752,863 taxpayers who had less than \$10,000 in adjusted gross income. The total adjusted gross income reported by these taxpayers was \$3.3 B for a tax value of \$112.3 M. After adjusting for tax credits taken, exempting income for these taxpayers will result is a revenue loss of approximately \$44.6 M in FY 2000 (due to 5 months of withholdings) and \$106.2 M in FY 2001.

Individual Income Tax revenue is deposited in the General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Counties that have adopted the County Adjusted Gross Income Tax (CAGIT), the County Option Income Tax (COIT), and/or the County Economic Development Income Tax (CEDIT), will experience a loss in revenue generated by these taxes. This is because the tax base for each of these taxes is Indiana Adjusted Gross Income which will be reduced by this bill. The loss will be reflected in the certified distribution to the counties. A list of adopting counties for each of the taxes can be found in the *Indiana Handbook of Taxes, Revenues, and Appropriations*, Indiana Legislative Services Agency, Fiscal Year 1998.

**State Agencies Affected:** Department of Revenue.

**Local Agencies Affected:** Counties with a local option income.

**Information Sources:** Department of Revenue.